Honorable Timothy W. Dore
Chapter 11
Hearing Date: November 30, 2023
Hearing Time: 2:00 p.m.
Response Due: at time of hearing

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In Re:) Case No. 23-12303-TWD

Strategies, 360, Inc.   ) LIMITED OBJECTION BY UNITED
) STATES TRUSTEE TO DEBTOR'S
) EMERGENCY MOTION FOR
               Debtor.   ) AUTHORITY TO PAY PREPETITION
) PAYROLL, EMPLOYEE BENEFITS,
) AND RELATED EXPENSES

The United States Trustee, by and through his undersigned counsel, hereby objects to the *Debtor's Emergency Motion for Authority to Pay Prepetition Payroll, Employee Benefits, and Related Expenses* (the "**Motion**") [ECF No. 2] filed by the above-captioned debtor (the "**Debtor**") only insofar as it seeks authority to pay the employee's "expenses incurred in the scope of their employment, as well as directly reimbursing third-party credit card providers for expense incurred by Employees (collectively, "**Reimbursable Expenses**")." Specifically, the UST requests the Court decline to approve only those expenses on an expedited basis, and accord the UST additional time to review whether those expenses qualify for priority treatment under 11 U.S.C. § 507(a)(4). In support of this limited objection, the UST respectfully represents as follows:

<u>BACKGROUND</u>

1. On November 27, 2023 (the "**Petition Date**"), the Debtor filed a voluntary petition seeking relief under chapter 11 of title 11 of the United States Code.

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2.   On the same date the Debtor filed the Motion which seeks the Court's authority to pay the Reimbursable Expenses, which as set forth above include payments to third-party credit card providers. Motion at p. 5. The Motion cites to the paragraph 32 of the *Declaration of John Rosenberg in Support of First Day Motions* (the "Rosenberg Declaration") as support for the request, however, neither the Motion nor the Rosenberg Declaration provide an itemization of these costs and payors.

3.   In subsequent correspondence with Debtor's Counsel, the UST requested this issue be pushed to the final hearing on Cash Collateral, and said request was respectfully declined. However, further clarification was provided in the correspondence, insofar as it was represented to the undersigned that the total amount the Debtor is seeking for Reimbursable Expenses is $48,291 and that the reimbursements are called for in the employee's contracts. The undersigned has requested copies of the contracts, but as of the filing of this objection, they have not yet been provided (albeit the request was sent only a few hours prior to this Objection being filed).

LIMITED OBJECTION

While the UST does not object to all other employee related expenses set forth in the Motion, insofar as those sums would likely be entitled to priority treatment under 11 U.S.C. § 507(a)(4), the Debtor has not met its burden of showing that the Reimbursable Expenses would fall within the gambit of that section which accords priority to wages, salaries, commissions, vacation, severance, sick leave and sales commissions. The UST respectfully requests the Court grant the UST additional time to review the nature of the Reimbursable Expenses and the Debtor's contractual obligation to pay those expenses.

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WHEREFORE, for the reasons set forth herein, the UST respectfully requests the Court

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decline to approve only the payment of the Reimbursable Expenses and set only that portion of

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the Motion for hearing at the same time as the final hearing on Cash Collateral.

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DATED this Thursday, November 30, 2023,

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Respectfully submitted,

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Gregory M. Garvin

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Acting U.S. Trustee for Region 18

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/s/ Kathryn Evans

Kathryn Evans Cal Bar 240149

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Attorney for the United States Trustee

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